

NSC BRIEFING

10 July 1956

## BURMA

1. Within recent weeks we have been getting the first reports that the Sino-Soviet promotion campaign in South and Southeast Asia is running into some difficulties.

A. These troubles have appeared in India, Afghanistan, Indonesia and Burma.

B. But it is Burma--which was to be the shining showcase of "coexistence"--that provides the most interesting case in point.

2. Burmese leaders were deeply impressed by Moscow's and Peiping's pledges of non-aggression and non-interference in Burmese internal affairs. They felt their problems with the domestic Communist threat were soon to end and that their territorial integrity had been assured.

A. They were badly jolted, however, during the April elections, when it became obvious the opposition National United Front, a pro-Communist coalition, was being heavily subsidized by the Soviet and Chinese embassies.

B. It is now pretty well accepted that U Nu resigned as premier in disillusionment over this meddling and was the author of an "anonymous" letter to a local newspaper which specifically set forth such charges.

3. Nu and other Burmese officials are also said to be greatly disturbed by the anti-government activities of returned Burmese visitors to the Bloc.

A. These returnees (who have gone to the Soviet Union and China in groups or as individuals) include trade unionists, youth leaders, educators, women's organizations, and a variety of cultural and professional representatives.

B. They have apparently been profoundly impressed by what they were shown during their visits and, once back in Burma, many have worked assiduously against the government.

6. In the "mutually beneficial" field of economic exchange, Burmese-Bloc relations have also soured. The Burmese are finding that barter trade with the Bloc--which they expected to wash out their staggering rice surplus--is not the panacea they thought.

A. The country badly needs anti-inflationary consumer goods and the Burmese are complaining of excessive Bloc red tape, lack of information on what is available, the uncertainty of delivery dates, and poor quality.

B. These problems, and the failure thusfar to conclude any major agreements for capital goods purchases, have resulted in the accrual of large unexpended credits--perhaps as much as \$50,000,000.

C. U Nu himself, under whose regime the barter deals with the Bloc were promoted, openly criticized such pacts in a May press conference. He said "a man would be crazy to barter rice when he could sell it for cash." He charged the Communists had jacked prices to the point Burma suffered a 20 to 30% price disadvantage, and vowed to end such trade as soon as he could.

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D. On the other side of the fence,

the Poles and Czechs are critical of the poor quality of Burmese rice and long delays in the loading of their ships. Furthermore, the Poles complained that the Burmese are setting unreasonably high quality standards for Polish manufactured goods.

E. Finally, as a quite expressive example of the Burmese attitude toward trade prospects with Communist countries, a high-level Burmese trade mission now travelling in Europe deleted all Communist countries from its itinerary

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7. This increasing Burmese discontent with its Orbit relationships, however, cannot be expected to lead to any early abandonment of its neutral foreign policy.

A. In view of the very sizable credits they have already accumulated, the Burmese cannot disengage from ~~its~~ barter arrangements overnight--even if they find new cash markets for their rice.

B. The Soviets have promised some eye-catching construction in Rangoon such as a hospital, a sports center complete with stadium, and a technological institute whose proposed size "staggered" the Burmese. Apparently, Moscow is giving priority to these projects and, when completed, they should make a favorable impact in a small city like Rangoon.

C. Communist leaders are certainly aware of the frictions that have arisen and can be expected to take corrective steps.

8. But the initial momentum of the Sino-Soviet offensive in Burma has been lost and the Burmese will be far more sophisticated in their future dealings with the Communists. They have already shown noticeably greater interest in US aid--last week Ba Swe publicly voiced hopes that an agreement on an American assistance program might soon be reached.

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